

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 /075 W  
-----095733 120139Z /64  
R 111855Z JUL 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4635  
INFO ALL EC CAPITALS

UNCLAS SECTION 01 OF 02 PARIS 21987

E.O. 11652: N/A  
TAGS: ELAB, FR  
SUBJECT: THE SECOND NATIONAL PACT FOR EMPLOYMENT

1. SUMMARY: FRANCE'S SECOND NATIONAL PACT FOR EMPLOYMENT IS A CONTINUATION, AT A REDUCED LEVEL, OF LAST YEAR'S SUCCESSFUL PROGRAM FOR CREATING JOBS FOR YOUNG PEOPLE. HOWEVER, IT IS NEITHER CAPABLE OF NOR INTENDED TO ABSORB THIS FALL'S INFLUX OF 450,000 YOUNG LABOR MARKET ENTRANTS. END SUMMARY.

2. THE FRENCH GOVERNMENT IS NOW PUBLISHING, IN THEIR FINAL FORMS, THE LAWS AND REGULATIONS IMPLEMENTING THE SECOND NATIONAL PACT FOR EMPLOYMENT. THIS YEAR'S PACT IS A FOLLOW-UP TO LAST YEAR'S SUCCESSFUL PROGRAM FOR CREATING JOBS FOR YOUNG PEOPLE ENTERING THE LABOR MARKET BOTH BY CUTTING EMPLOYER SOCIAL SECURITY PAYROLL TAXES, AND BY PROVIDING STATE FINANCED ON-THE-JOB TRAINING IN PRIVATE FIRMS. THE 1978 PACT RESEMBLES LAST YEAR'S IN TERMS OF ITS GENERAL THRUST, BUT IS DELIBERATELY NARROWER IN SCOPE AND LESS AMBITIOUS.

3. THE FIRST NATIONAL PACT FOR EMPLOYMENT, WHICH BECAME EFFECTIVE JULY 1, 1977, CREATED SOME 545,500  
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JOBS FOR YOUNG LABOR MARKET ENTRANTS BY GRANTING EMPLOYERS COMPLETE EXEMPTIONS FROM THEIR SOCIAL SECURITY PAYROLL TAXES (AS MUCH AS 40 PERCENT OF BASIC WAGES) ON EACH ELIGIBLE YOUNG PERSON HIRED, OR APPRENTICED, DURING THE LIFETIME OF THE PACT; AND BY CREATING STATE FINANCED ON-THE-JOB LEARNING AND TRAINING PROGRAMS IN PRIVATE FIRMS FOR OTHER ELIGIBLE

YOUNG PEOPLE. THE FIRST PROGRAM WAS DESIGNED TO LOWER THE MARGINAL COST OF HIRING UNSKILLED YOUNG PEOPLE IN THE SERVICE SECTOR, AND THE SECOND TO INCREASE THE PRODUCTIVITY AND SO EMPLOYABILITY OF YOUNG PEOPLE IN A VARIETY OF FIELDS. THERE WAS, IN ADDITION, A DELIBERATELY MODEST PROGRAM FOR 20,000 TEMPORARY PUBLIC SERVICE JOBS. (SEE PARIS A-67 OF MARCH 10, 1978).

4. THIS YEAR'S MEASURES, WHICH TAKE EFFECT JULY 1, THE DATE THE OLD PACT ENDS, WHILE MAINTAINING THE ESSENTIAL FEATURES OF THE ORIGINAL PROGRAM, ARE SIGNIFICANTLY LESS AMBITIOUS AND ENVISION THE CREATION OF 700,000 JOBS FROM NOW THROUGH THE END OF 1979. INSTEAD OF A COMPLETE EXEMPTION FROM THE SOCIAL SECURITY TAX FOR EACH ELIGIBLE YOUNG PERSON HIRED, OR APPRENTICED, THIS YEAR'S PROGRAM PROVIDES A TAX REDUCTION OF 50 PERCENT; AND IS LIMITED EXCLUSIVELY TO MASTERS TAKING ON APPRENTICES, OR FIRMS WITH LESS THAN 500 EMPLOYEES AND A TURNOVER OF UNDER 100 MILLION FRANCS (\$205,000). THE GOVERNMENT ESTIMATES THAT THESE MEASURES COULD LEAD TO THE CREATION OF AS MANY AS 270,000 JOBS FROM NOW THROUGH DECEMBER 31, 1979, THE DATE THE NEW PROGRAM TERMINATES. (IT SHOULD BE NOTED THAT ALTHOUGH THE EXEMPTION IS LIMITED TO ONE YEAR FOR ANY ONE APPRENTICE, IT CAN CONTINUE THROUGH UNCLASSIFIED

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THE LIFETIME OF THE NEW PACT FOR AN EMPLOYEE.)

5. THE ON-THE-JOB TRAINING AND LEARNING PROGRAMS (STAGE DE FORMATION AND STAGE PRACTIQUE) HAVE ALSO BEEN CONTINUED THROUGH THE SPRING OF 1979, IN A SOMEWHAT MODIFIED FORM; AND HOPEFULLY WILL PROVIDE JOBS FOR 110,000 YOUNG PEOPLE AND UNMARRIED WOMEN THIS YEAR, AND AN EQUAL NUMBER IN 1979. HOWEVER, THE ON-THE-JOB LEARNING PROGRAMS ARE NOW LIMITED TO THE BLUE COLLAR FIELD, AND THE PUBLIC SERVICE EMPLOYMENT PROGRAM HAS DISAPPEARED ALTOGETHER.

6. IN EXPLAINING THE STRATEGY BEHIND THE NEW PACT, GOVERNMENT LABOR MARKET OFFICIALS HAVE STRESSED THE OBJECTIVES, GIVEN THE AVAILABILITY OF SIGNIFICANTLY SMALLER FINANCIAL MEANS, TO DIRECT THE PROGRAMS MORE PRECISELY AT SECTORS WHERE THERE IS AN INADEQUATE

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R 111855Z JUL 78  
FM AMEMBASSY PARIS  
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NATURAL TENDENCY TOWARDS JOB CREATION. THUS, THE GOVERNMENT EXPERTS FEEL THAT THE FIRST PACT INADVERTENTLY PROVIDED UNNECESSARILY LARGE INCENTIVES IN THE SERVICE SECTOR, AND NOT ENOUGH FOR THOSE IN THE BLUE COLLAR OCCUPATIONS. IT IS FELT THAT THE NEW PROGRAM, WHILE ADMITTEDLY BEING CARRIED OUT ON A MORE MODEST LEVEL, CORRECTS SOME OF THESE DEFICIENCIES.

7. THE GOVERNMENT, SOME OFFICIALS ADMIT, IS ALSO TRYING TO CORRECT SOME OF THE ABUSES THAT APPEARED DURING THE FIRST PACT. ALTHOUGH THE TAX EXEMPTION AND ON-THE-JOB TRAINING PROGRAMS ARE ALL REGARDED TO HAVE BEEN UNQUALIFIED SUCCESSES, THE EXPERIENCE WITH THE ON-THE-JOB LEARNING PROGRAMS HAS BEEN MUCH LESS GRATIFYING, PARTICULARLY WITH REGARD TO OBTAINING PERMANENT JOBS FOR THE "LEARNERS". (IN SOME CASES, THEIR PLACEMENT RATE IS AS LOW AS 60 PERCENT AS COMPARED WITH AN AVERAGE OF OVER 90 PERCENT FOR THE OTHER CATEGORIES). A NUMBER OF FIRMS APPEAR TO HAVE USED THE PROGRAM EITHER AS A SOURCE OF TEMPORARY HELP, WHO WERE LET GO AS SOON AS THE STATE'S MONEY RAN OUT, OR AS A POLITICAL GESTURE OF SUPPORT FOR THE GOVERNMENT,  
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WITH NO REAL EFFORT OR INTENT OF KEEPING THE YOUNG PEOPLE ON. ACCORDINGLY, THE GOVERNMENT IS NOW

STRESSING TO THE BUSINESS COMMUNITY THAT IT ONLY WANTS  
"REAL" JOBS CREATED BY ITS PROGRAMS, AND EMPLOYERS  
WHO DID NOT HIRE THEIR TRAINEES UNDER THE FIRST PACT  
ARE INELIGIBLE TO PARTICIPATE IN THE SECOND.

8. THIS SAID, THERE IS NO QUESTION BUT THAT THE  
REDUCED SIZE OF THE PROGRAMS, THE GENERAL ECONOMIC  
SITUATION, AND THE CONTINUED CONSCIOUS REJECTION OF  
PUBLIC SERVICE EMPLOYMENT AS A LABOR MARKET TOOL (SEE  
ALSO PARIS 20994) WHEN COUPLED WITH THE CERTAINTY OF  
ANOTHER 450,000 YOUNG PEOPLE ENTERING THE LABOR  
MARKET THIS AUTUMN, MEANS THAT UNEMPLOYMENT, AND  
PARTICULARLY YOUTH UNEMPLOYMENT, IS GOING TO RISE.  
(THE NEW PACT, FOR EXAMPLE, PROVIDES FOR ONLY 270,000  
JOBS TO BE CREATED BY THE TAX RELIEF MEASURES BETWEEN  
NOW, AND THE END OF 1979; WHEREAS BETWEEN JULY 1, 1977  
AND FEBRUARY OF THIS YEAR, THE FIRST PACT'S COMPARABLE  
PROGRAMS CREATED 338,220 JOBS). THE GOVERNMENT'S  
ANALYSTS NOW ESTIMATE, PRIVATELY, THAT BY YEAR'S END  
THE UNEMPLOYMENT FIGURE (PRESENTLY SLIGHTLY OVER ONE  
MILLION) WILL PEAK AT ABOUT 1.3 MILLION AFTER WHICH  
IT WILL START TO DECLINE. IN THE MEANTIME, THE LABOR  
MINISTRY INTENDS TO MAKE THE MOST OF THE MEASURES  
AVAILABLE TO IT, AND IS DRAWING UP PLANS FOR ANOTHER  
MOBILIZATION OF THE BUSINESS COMMUNITY THIS FALL TO DO  
ALL POSSIBLE TO MAKE THE SECOND PACT WORK.  
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## Message Attributes

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